

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of)	
)	
Heart of Iowa Communications)	FCC/ME1.1 ON NOV 26 2003
Cooperative)	
)	
and)	
)	
Iowa Telecommunications Services, Inc.)	
d/b/a Iowa Telecom)	CC Docket No. 96-45
)	
Joint Petition for Waiver of the)	
Definition of "Study Area" of the)	
Appendix-Glossary of Part 36 of the)	
Commission's Rules)	
)	
Petition for Waiver of Sections)	
69.3(e)(11) and 69.605(c) of the)	
Commission's Rules)	

EXHIBIT 1

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554**

In the Matter of)
)
Iowa Telecommunications Services, Inc.)
)
and)
)
Heart of Iowa Communications Cooperative)
)
Application for Authorization Pursuant to)
Section 214 of the Communications Act of 1934,)
as Amended for Transfer of Control of)
the Conrad, Eldora, and Steamboat Rock)
Exchanges)
_____)

File No. _____

**APPLICATION FOR TRANSFER OF CONTROL OF THE CONRAD, ELDORA, AND
STEAMBOAT ROCK EXCHANGES**

Iowa Telecommunications Services, Inc. ("Iowa Telecom" or "Transferor") and Heart of Iowa Communications Cooperative ("Heart of Iowa" or "Transferee") (collectively the "Applicants"), by their undersigned counsel, and pursuant to Section 214 of the Communications Act of 1934, as amended, 47 U.S.C. § 214 (the "Act"), and Section 63.04 of the rules of the Federal Communications Commission ("FCC" or the "Commission"), 47 C.F.R. § 63.04, hereby request authority to transfer control of the rural Conrad, Eldora, and Steamboat Rock exchanges (the "Exchanges") from Iowa Telecom to Heart of Iowa, a total of 815 lines. As described in this application, Iowa Telecom has agreed to sell the Exchanges to Heart of Iowa, which will continue to provide service to Iowa Telecom's former customers upon completion of the transaction.

Pursuant to Section 63 04(a) of the Commission's rules, the Applicants provide the following information in support of this transaction:

(1) Applicants' Name, Address and Telephone Number

Transferor Iowa Telecommunications Services, Inc
 115 South Second Avenue, West
 Newton, IA 50208

Telephone (641) 787-2677
Facsimile: (641) 787-2468

Transferee: Heart of Iowa Communications Cooperative
 502 Main Street
 P.O. Box 130
 Union, Iowa 50258-0130

Telephone: (641) 486-2211
Facsimile. (641) 486-2205

(2) State of Organization

- (a) Iowa Telecommunications Services, Inc. is a corporation organized under the laws of the State of Iowa.
- (b) Heart of Iowa Communications Cooperative is a cooperative organized under the laws of the State of Iowa.

(3) Contact Information

All correspondence, notices and inquiries regarding this transaction should be addressed to:

Transferor: D. Michael Anderson
 Vice President – External Affairs
 Iowa Telecommunications Services, Inc.
 P O Box 330
 Grinnell, IA 50112

Telephone: (641) 269-7807
Facsimile: (641) 269-7376

Copies of all correspondence, notices, and inquiries should also be addressed to:

Gregory J. Vogt
Wiley Rein & Fielding LLP

1776 K Street, NW
Washington, DC 20006

Telephone (202) 719-7401
Facsimile (202) 719-7049

Counsel for Iowa Telecom

Transferee: David L. Schmidt
General Manager
Heart of Iowa Communications Cooperative
502 Main Street
P.O. Box 130
Union, Iowa 50258-0130

Telephone: (641) 486-2211
Facsimile (641) 486-2205

Copies of all correspondence, notices, and inquiries should also be addressed to:

David Cosson
Kraskin, Lessee & Cosson, LLC
2120 L Street, NW, Suite 520
Washington, DC 20037

Telephone (202) 296-8890
Facsimile (202) 296-8893

Counsel for Heart of Iowa

(4) Ten percent (10%) Equity Shareholders

Iowa Telecommunications Services, Inc.:

Iowa Network Services, Inc
4201 Corporate Drive
West Des Moines, Iowa 50266-5906
Citizenship: United States
Principal Business: Telecommunications
Percent Owned: 57 percent

FS Private Investments III, LLC
520 Madison Avenue
12th Floor
New York, New York 10022
Citizenship United States

Principal Business Financial Services
Percent Owned: 28 percent

Heart of Iowa Communications Cooperative:

None.

(5) Certification Pursuant to Rules 1.2001-1.2003

Applicants hereby certify, pursuant to 47 C.F.R. §§ 1.2001-1.2003, that to the best of their knowledge, information, and belief, no party to the application is subject to denial of federal benefits pursuant to section 5301 of the Anti-Drug Abuse Act of 1988, 21 U.S.C. § 853.

(6) Description of Transaction

The Applicants have entered into an Asset Purchase Agreement in which Iowa Telecom has agreed to transfer its customer base and assets in the Exchanges to Heart of Iowa. Heart of Iowa currently operates as a competitive local exchange carrier ("CLEC") in the Exchanges, and currently has a majority of residential and business lines in all of the Exchanges. Of the 3,559 total lines in the Exchanges, Heart of Iowa already serves 2,744, or 77 percent. Post-consummation, Heart of Iowa will continue to offer the services currently offered to Iowa Telecom customers in these Exchanges.

(7) Geographic Description

Iowa Telecom is an independent incumbent local exchange carrier headquartered in Newton, Iowa. Iowa Telecom currently provides local exchange and exchange access service and dial-up and high-speed internet services to residential and business customers in some 300 exchanges widely distributed throughout the State of Iowa, comprising a total of some 257,000 access lines.

Heart of Iowa is headquartered in Union, Iowa. It is an established telecommunications carrier that provides incumbent local exchange and exchange access services to residential and business customers (approximately 2487 access lines total) in a cluster of small rural north-central Iowa communities: Albion, Ferguson, Green Mountain, Haverhill, Liscomb, New Providence, Union, and Whitten. Heart of Iowa presently serves the Exchanges, which adjoin its incumbent service area, as a CLEC. Heart of Iowa also offers intraLATA and interLATA (domestic and international) toll services to its local service customers. Finally, Heart of Iowa offers a range of vertical voice services, as well as dialup and high speed (DSL) Internet access services to customers in its service areas.

A map of Iowa highlighting the Exchanges, and the local service areas of Iowa Telecom and Heart of Iowa is attached as Exhibit I.

(8) Streamlined Treatment

The Applicants do not request streamlined treatment for this transaction.

(9) Other Related Applications Before the Commission

None.

(10) Statement of Imminent Business Failure

Not applicable.

(11) Separately Filed Waiver Requests

The Applicants have filed study area, average schedule, and NECA carrier common line tariff waiver requests concurrently with this Application.

(12) Public Interest Statement

This transaction is a direct outgrowth of the market realities in these three Exchanges, and reflects realities that largely predate Iowa Telecom's 1999 acquisition of its Iowa properties. Coupled with concrete benefits that will accrue to affected consumers, and both Applicants, the proposed transaction clearly serves the public interest, convenience and necessity

Heart of Iowa operates in a handful of communities in north-central Iowa, focusing on rural farming communities. As a cooperative, Heart of Iowa offers local ownership. Over time, Heart of Iowa has expanded its operations as a facilities-based competitor to similar geographically-adjacent, rural farming communities. To that end, Heart of Iowa's growth has been directed at the three Exchanges at issue in this Application. In fact, Heart of Iowa now provides service to a substantial majority of lines in these Exchanges. 77 percent of the 3,559 lines (84 percent of the 884 business lines). In effect, Heart of Iowa has become the primary carrier in these Exchanges.

In contrast, Iowa Telecom operates a large number of rural exchanges, widely distributed throughout the state. When Iowa Telecom acquired these Exchanges from GTE Midwest Incorporated, Heart of Iowa was already active as a facilities-based competitor in these Exchanges.

This transaction is an outgrowth of the current market realities of these Exchanges, and allows Heart of Iowa to become the incumbent provider of local exchange service in these exchanges. The transaction will benefit consumers in these Exchanges. Specifically, affected customers will be able to purchase from Heart of Iowa high-speed Internet access over DSL, a service it provides to its CLEC customers but which Iowa Telecom has not yet provided in these Exchanges. Further, the transaction will provide affected customers with new services from a locally based carrier specializing in meeting the communications needs of the few rural

communities it serves. For 45 years, Heart of Iowa has offered its customers access to local management, local service personnel, and local service centers. Every customer will become an owner of the Cooperative, and will be able to exercise his or her vote in the operation of the Cooperative, including election of members of the Board of Directors.

In addition, Heart of Iowa is strengthened as a result of this transaction, achieving new economies of scale, a more cohesive and rational service area, and administratively simpler operations. Iowa Telecom also is strengthened through subtraction. The transaction will permit Iowa Telecom to focus greater resources and facilities on its remaining exchanges. As a result, Iowa Telecom will be better positioned to provide new services, *i.e.*, broadband, to its customers in a shorter timetable in its rural exchanges. Each party will thus be free to focus its investments and offerings on its exchanges, which require attention and development. Interrelated to that commitment, each party has agreed to refrain from acting as a CLEC in the other's service area for a five-year period.

Moreover, this transfer is consistent, albeit on a far smaller scale, with other transactions approved by the Commission that involved overlapping and adjacent service areas.¹ The same considerations apply in this instance. As in prior approved transfers, these Exchanges are served by a number of other inter-modal competitors active in the area —wireless providers U.S.

¹ *Joint Applications of Telephone and Data Systems, Inc. and Chorus Communications, Ltd. For Authority to Transfer Control of Commission Licenses and Authorizations Pursuant to Sections 214 and 310(d) of the Communications Act and Parts 22, 63, and 90 of the Commission's Rules, Memorandum Opinion and Order, 16 FCC Rcd 15293 ¶ 9 (Comm. Car. Bur. 2001) ("Chorus")* ("In this case, TDS and Chorus are actual competitors for local exchange and exchange access services in the Madison area."). *Joint Application of Global Crossing Ltd., and Citizens Communications Company for Authority to Transfer Control of Corporations Holding Commission Licenses and Authorizations Pursuant to Sections 214 and 310(d) of the Communications Act and Parts 20, 22, 63, 78, 90, and 101 of the Commission's Rules, Memorandum Opinion and Order, 16 FCC Rcd 8507 (Comm. Car. Bur., Int'l Bur., Cable Serv. Bur., Wireless Bur. 2001) ("Global Crossing/Citizens")* (adjacent service areas in four states)

Cellular and Midwest Wireless and cable operator Mediacom—thereby mitigating any negative competitive impact of this transaction. In addition, the closest population center to the Exchanges, Marshalltown, is served by a large Bell Operating Company, Qwest.² Moreover, unlike in those instances, this transaction is not a full-fledged combination of competing providers. Rather, this transfer involves only three small exchanges being transferred between two small providers, both of which will be stronger and more vibrant as a result of the transfer.³ Accordingly, consistent with precedent, the proposed transaction will serve the public interest, convenience and necessity by strengthening two small providers, and by directly benefiting the impacted consumers.

² See *Chorus* at n.26 (“SBC-Ameritech, the largest incumbent LEC in Wisconsin, is the incumbent LEC in the City of Madison and some of the surrounding communities”)

³ In *Global Crossing/Citizens*, the Commission highlighted the relative size of the exchanges in question, which were equal to, if not much larger, than the Exchanges at issue in this Application. See *Global Crossing/Citizens* at ¶ 7.

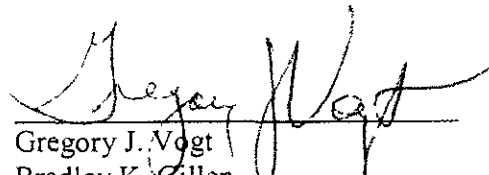
CONCLUSION

For the reasons stated herein, Iowa Telecom and Heart of Iowa respectfully request that the Commission promptly grant their Application for consent to transfer the Conrad, Eldora, and Steamboat Rock exchanges from Iowa Telecom to Heart of Iowa.

RESPECTFULLY SUBMITTED,

David Cosson
Clifford C Rohde
KRASKIN, LESSE & COSSON, LLC
2120 L Street, NW, Suite 520
Washington, DC 20037
(202) 296-8890

*Counsel for Heart of Iowa
Communications Cooperative*


Gregory J. Vogt
Bradley K. Gillen
Peter J. McNulty
WILEY REIN & FIELDING LLP
1776 K Street, NW
Washington, DC 20006
(202) 719-7000


*Counsel for Iowa Telecommunications
Services, Inc*

November 26, 2003

DECLARATION OF DAVID L. SCHMIDT

I, David L. Schmidt, General Manager of Heart of Iowa Communications Cooperative, ("Heart of Iowa") do hereby certify under penalties of perjury that to the best of my knowledge, information, and belief, Heart of Iowa, including all officers, directors, or persons holding 5% or more of the outstanding stock or shares (voting and/or non-voting) of Heart of Iowa as specified in Section 1.2003(b) of the Commission's Rules, is not subject to denial of federal benefits pursuant to section 5301 of the Anti-Drug Abuse Act of 1988.

Date 11/26/03



David L. Schmidt
General Manager
Heart of Iowa Communications Cooperative

DECLARATION OF D. MICHAEL ANDERSON

I, D. Michael Anderson, Vice President – External Affairs of Iowa Telecommunications Services, Inc., ("Iowa Telecom") do hereby certify under penalties of perjury that to the best of my knowledge, information, and belief, Iowa Telecom, including all officers, directors, or persons holding 5% or more of the outstanding stock or shares (voting and/or non-voting) of Iowa Telecom as specified in Section 1.2003(b) of the Commission's Rules, is not subject to denial of federal benefits pursuant to section 5301 of the Anti-Drug Abuse Act of 1988.

Date 11/25/03

A handwritten signature in black ink, appearing to read 'D. Michael Anderson', written over a horizontal line.

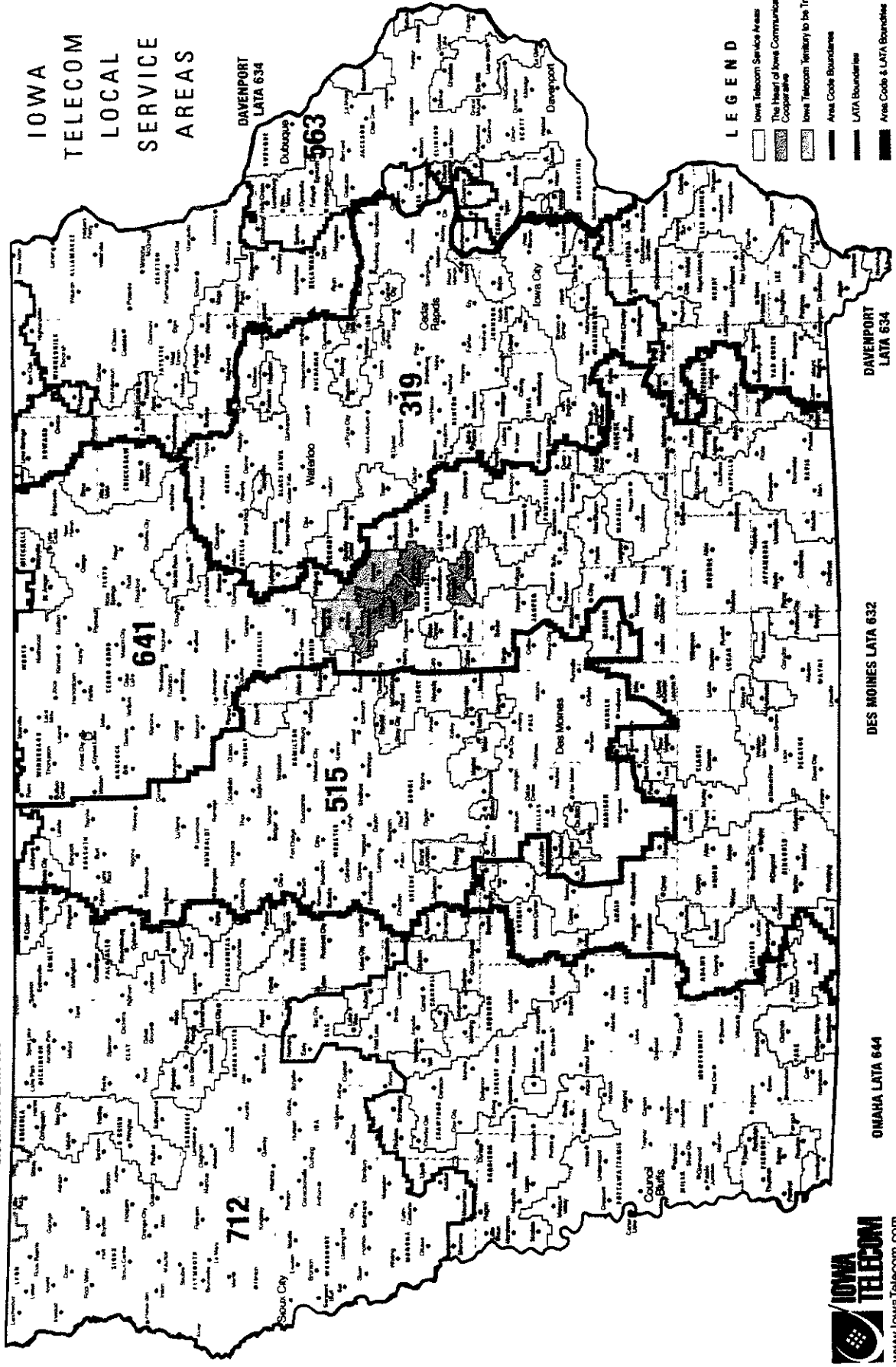
D. Michael Anderson
Vice President – External Affairs
Iowa Telecommunications Services, Inc.

IOWA TELECOM LOCAL SERVICE AREAS

SIoux CITY LATA 630

DES MOINES LATA 632

CEdAR RAPIDS LATA 635



LEGEND

- Iowa Telecom Service Areas
- The Heart of Iowa Communications Cooperative
- Iowa Telecom Territory to be Transferred
- Area Code Boundaries
- LATA Boundaries
- Area Code & LATA Boundaries

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69.3(e)(11) and 69.605(c) of the)
Commission's Rules)

TRACKING

FCC/MF/10/11 NOV 26 2003

CC Docket No. 96-45

EXHIBIT 2

TRANSMITTAL

Date: November 19, 2003

Company Name: Iowa Telecommunications Services, Inc. d/b/a/
Iowa Telecom and Heart of Iowa Communications
Cooperative

Subject Matter: Joint Application for Approval of Discontinuance of
Service and Transfer of Certificate

Person to Contact: Robert F. Holz, Jr.
DAVIS, BROWN, KOEHN, SHORS &
ROBERTS, P.C.
The Financial Center
666 Walnut Street, Suite 2500
Des Moines, IA 50309-3993
Telephone: (515) 288-2500
Facsimile: (515) 243-0654

Initial Filing: Yes

Docket Number: SPU-03-_____

**STATE OF IOWA
DEPARTMENT OF COMMERCE
IOWA STATE UTILITIES BOARD**

IN RE:)	
)	
IOWA TELECOMMUNICATIONS SERVICES,)	SPU-03-_____
INC. d/b/a/ IOWA TELECOM and)	
HEART OF IOWA COMMUNICATIONS)	
COOPERATIVE)	

**JOINT APPLICATION FOR APPROVAL OF DISCONTINUANCE
OF SERVICE AND TRANSFER OF CERTIFICATE**

Iowa Telecommunications Services, Inc. d/b/a Iowa Telecom (Iowa Telecom) and Heart of Iowa Communications Cooperative (Heart of Iowa), Joint Applicants, file this Joint Application pursuant to Iowa Code Section 476.20 for discontinuance of service and Section 476.29 for transfer of a certificate. Heart of Iowa has entered into an Asset Purchase Agreement as of August 7, 2003, to acquire the assets of Iowa Telecom necessary to provide local exchange service in the Conrad, Eldora and Steamboat Rock, Iowa exchanges. Such acquisition will result in a discontinuance of service by Iowa Telecom and a continuance of the service by Heart of Iowa, except for certain expanded local calling plans. Joint Applicants seek to have the current certificate of public convenience and necessity issued to Iowa Telecom for its Conrad, Eldora and Steamboat Rock exchanges transferred to Heart of Iowa. In support of this Joint Application, the Joint Applicants state as follows:

1. Heart of Iowa is an Iowa cooperative with its principal office at 502 Main Street, Union, Iowa. It is a public utility providing local exchange telecommunications service as

defined by Iowa Code § 476.1. Heart of Iowa is a nonrate-regulated local exchange carrier currently providing local service in ten (10) Iowa exchanges.

2. Iowa Telecom is an Iowa corporation with its principal office at 115 S. Second Avenue West, Newton, Iowa. Iowa Telecom is a public utility providing local exchange telecommunications service as defined by Iowa Code § 476.1. It is a rate-regulated local exchange carrier currently providing local service in 294 Iowa exchanges.

3. Heart of Iowa has contracted to acquire the Conrad, Eldora and Steamboat Rock exchanges from Iowa Telecom. Heart of Iowa is prepared to complete the acquisition as soon as regulatory approvals can be obtained.

4. After the acquisition, Iowa Telecom would no longer provide local exchange services to the Conrad, Eldora and Steamboat Rock exchanges, but those services would instead be provided by Heart of Iowa, except for certain expanded local calling plans.

5. Section 476.20(1) of the Iowa Code provides that a utility shall not discontinue service to a community unless permission to do so is obtained from the Board.

6. Board Rule 7.12 applies in this case since the termination and transfer of the right and duty to provide utility service by Iowa Telecom is incident to the transfer of its utility property through the sale to Heart of Iowa.

7. Board Rule 7.12(5) provides that the application will be granted "if the board finds the transferee is ready, willing and able to provide comparable utility service."

8. Board Rule 22.16 is applicable to the discontinuance of certain expanded local calling plans. The information required in Rule 22.16(2) is provided within this Joint Application and the Affidavit of David Schmidt. The date for the discontinuance of service would be upon the close of the acquisition.

9. Section 476.29(3) of the Iowa Code provides:

A certificate is transferable, subject to approval of the board pursuant to § 476.20 subsection 1 and for purposes of a rate regulated local exchange utility shall be treated by the board in the same manner as a reorganization pursuant to §§ 476.76 and 476.77.

10 Iowa Telecom is a rate-regulated local exchange utility but the reorganization provisions of Iowa Code §§ 476.76 and 476.77 are not applicable.

- (a) Iowa Code Section 476.76(1) defines "reorganization" to include "The . . . sale . . . of the whole or any substantial part of a public utility's assets."
- (b) Board Rule 32.2(2) defines "substantial part" to include "assets . . . with a value in excess of 3 percent of the utilities' Iowa jurisdictional utility revenue during the immediately preceding calendar year or \$5 million, whichever is greater."
- (c) The Asset Purchase Agreement for the Conrad, Eldora and Steamboat Rock exchanges does not exceed \$5 million.

11. Heart of Iowa has provided local exchange telecommunications services since 1958 when it was created through the merger of Union Cooperative Telephone Company and New Providence Cooperative Telephone Company. It is experienced in providing such service as a certificated local exchange service provider in the State of Iowa and has continuously provided service in compliance with the Board's rules and requirements. Heart of Iowa is presently certified and provides service in ten exchanges in Iowa including the Conrad, Eldora and Steamboat Rock exchanges. As demonstrated by its history of providing service in the State of Iowa and in these exchanges, Heart of Iowa, as transferee, is ready, willing and able to provide comparable utility service in the Conrad, Eldora and Steamboat Rock exchanges.

12. The relevant facts pertaining to this application include:

- (a) Heart of Iowa provides service to over 5200 access lines.

- (b) Iowa Telecom provides service to some 174 access lines in its Conrad exchange, 574 access lines in its Eldora exchange and 67 access lines in its Steamboat Rock exchange.
- (c) As evidenced by its history of telecommunications service and the affidavit of David Schmidt, its General Manager, Heart of Iowa is able to provide for the management, accounting, customer relations, technical requirements and regulatory compliance for service to customers in the Conrad, Eldora and Steamboat Rock exchanges.
- (d) As shown by the affidavit of Steven P. Harms, its outside auditor, Heart of Iowa is financially able to acquire the assets and provide service to the customers of the Conrad, Eldora and Steamboat Rock exchanges.
- (e) The only service of Iowa Telecom which will not be continued by Heart of Iowa is certain expanded local calling plans.
- (f) Technical services will be dispatched to the Conrad, Eldora and Steamboat Rock exchanges from Heart of Iowa headquarters in Union. Management and accounting functions are presently provided through the home office of Iowa Telecom in Newton. These services will be provided by Heart of Iowa through its office in Union.
- (g) After the acquisition, Conrad, Eldora and Steamboat Rock will remain exchanges of Heart of Iowa. The Conrad, Eldora and Steamboat Rock customers of Iowa Telecom will be served through the Heart of Iowa tariffs at the same local rates as currently paid by Heart of Iowa customers in these exchanges. Access charges will be as provided in the current Heart of Iowa access tariff.

13. All other services of Iowa Telecom in the Conrad, Eldora and Steamboat Rock exchanges will also be transferred to Heart of Iowa as part of this transaction, including interexchange and internet services.

14. The toll and local service customers will be transferred from Iowa Telecom to Heart of Iowa. The Board has previously held that this change of service by sale does not trigger Rule 22.23 (*Terril Telephone Company*, Docket No. SPU-00-1, Order, March 22, 2000; *US West and Citizens*, Docket No. SPU-99-31, Order, May 5, 2000).

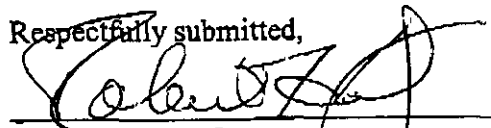
15. Iowa Telecom rates are governed by the price regulation provisions of Iowa Code Section 476.97(11). Under § 476.99(1), price regulated local exchange carriers must make

provision to "Reflect in rates any changes due to changes in the average cost of the local exchange carrier resulting from the sale of an exchange in this state." As supported by the Affidavit of David M. Anderson, there will be no such changes as a result of this transaction.

16 In connection with this transaction, the Joint Applicants will require a waiver of the study area requirements of the Federal Communications Commission (FCC). As the Board is aware, the FCC requires a written statement from the Board that it does not object to the waiver before it will consider a study area waiver. Thus, Joint Applicants request the Board to state in its final order that it does not object to the grant of a study area waiver by the FCC in connection with this transaction.

As Heart of Iowa is ready, willing and able to provide comparable utility service to the Conrad, Eldora and Steamboat Rock exchanges, Joint Applicants request approval of the discontinuance of service by Iowa Telecom, the transfer of the Iowa Telecom certificate for the Conrad, Eldora and Steamboat Rock exchanges to Heart of Iowa, and a statement by the Board that it does not object to the grant of a study area waiver by the FCC in connection with this transaction.

Respectfully submitted,



Robert F. Holz, Jr.

DAVIS, BROWN, KOERN, SHORS &
ROBERTS, P.C.

The Financial Center

666 Walnut Street, Suite 2500

Des Moines, IA 50309-3993

Telephone: 515/288-2500

Facsimile: 515/243-0654

ATTORNEYS FOR THE JOINT APPLICANTS

AFFIDAVIT OF DAVID L. SCHMIDT

**STATE OF IOWA)
) SS:
COUNTY OF HARDIN)**

David L. Schmidt, of lawful age, first duly sworn deposes and says:

I am the General Manager of the Heart of Iowa Communications Cooperative (Heart of Iowa). I have held this position since June of 1984. I have over 21 years of experience in the telecommunications business. I started with Heart of Iowa in 1982. Prior to my present position, I served from 1960 until 1980 as a Communicator in the U.S. Marine Corps. I was assigned to Headquarters, Marine Corps in Arlington, Virginia, service in California, except for two tours overseas and the CG Fleet Marine Force Pacific/Commander in Chief Pacific at Camp H.M. Smith, Hawaii. My final six years of service in the Marine Corps were with the White House Communications Agency, Defense Communications Operations Unit. This agency provides all communications support to the President of the United States as well as the Vice President and White House staffs whether in the White House or traveling anywhere in the world. I started working for Heart of Iowa Telecommunications Cooperative as the Operations Manager and was promoted to the General Manager in 1984. In my career I have been involved in nearly every task in operating a telephone company. My management functions have included administrative, technical, financial, customer relations and regulatory matters. I have long worked with both inside and outside plant.

I have reviewed the Joint Application for Approval of Discontinuance of Service and Transfer of Certificate and it is true and correct to the best of my knowledge and belief.

Heart of Iowa provides local exchange services in ten (10) Iowa exchanges including Conrad, Eldora and Steamboat Rock and in part of an eleventh exchange. Heart of Iowa also offers toll service for its customers. Heart of Iowa also provides cable TV services in its Albion, Liscomb, New Providence and Union/Whitten exchanges. It intends to expand that service to Conrad, Eldora and Steamboat Rock at some future time after acquisition.

In addition to myself, Heart of Iowa currently has 23 full-time employees. Of these employees, 13 provide services in connection with the business office and 10 provide technical services.

We will be able to handle any of the technical services required for the Conrad, Eldora and Steamboat Rock exchanges. The management and accounting functions, which have been previously performed for Iowa Telecom at its corporate office in Newton, will be performed after acquisition by Heart of Iowa at its office in Union.

Heart of Iowa has a business office in Conrad which is staffed half days and a full time business office in Eldora.

Service in Conrad, Eldora and Steamboat Rock is currently provided by Iowa Telecom through a Nortel DMS10 switch at Eldora and an AGCS/Lucent GTD-5 switch at Conrad. Steamboat Rock is switched through Eldora. After acquisition the Iowa Telecom customers in these exchanges will be switched through the Heart of Iowa EWSD Siemens Stromberg Carlson switch in Union.

The customers will actually experience reductions in their local rates. The rate comparisons are attached as **Exhibit A**. The services will be provided under the existing Heart of Iowa tariff for these exchanges. Access charges will be billed under the existing Heart of Iowa access tariff. Heart of Iowa has no present plans for any rate changes. Service will be enhanced as DSL services will be available to the Conrad, Eldora and Steamboat Rock customers.

Iowa Telecom currently provides local calling plan services to the Conrad, Eldora and Steamboat Rock customers. These are the Community Plus Calling Plan and Premium Calling Plan. The Community Plus plan provides for 9¢ per minute calling to exchanges within 30 miles of Conrad, Eldora and Steamboat Rock for \$1.00 per month. Heart of Iowa provides the same plan and there will be no change for those customers.

The Premium Calling Plan is unique to Iowa Telecom which provides up to 12,500 minutes of local calling to exchanges within 30 miles of Conrad, Eldora and Steamboat Rock for a charge of \$25.00 per month for residential customers and \$50.00 per month for business customers. Heart of Iowa does not currently offer that service. Iowa Telecom also offers an Extended Local Calling Plan in the Eldora exchange which offers 70 minutes of intraLATA calling for \$5.00 per month and 8¢ per minute over 70 minutes. Heart of Iowa does not offer that plan. After the sale, customers currently served by those plans will not have those plans available.

There are currently about 112 Premium Calling Plan residential customers and 2 business customers. We have reviewed the usage of those customers. 16 residential customers showed "0" usage in August. Of the remaining 96 residential customers, 42 used more than 300 minutes per month with 5 of them not exceeding 320 minutes per month. The usage by the remaining customers is 11 under 500 MOU, 16 up to 1,000 MOU and 10 over 1,000 MOU per month. The 2 business customers used 320 MOU or less per month. In the Extended Local Calling Plan in Eldora there are only 31 customers. Of these, only 14 had over 70 MOU in August and only 1 exceeded 250 MOU.

Heart of Iowa will offer a new discounted nationwide toll plan which will allow 100 minutes for \$7.95, 300 minutes for \$22.95, 500 minutes for \$36.95 and 1,000 minutes for \$69.95. Minutes over the allotted amount will be billed at 10 cents per minute, except for the 100 minute option which will be at 12 cents. As a result, most of the customers will be unaffected by the loss of the discontinued plans and all will have the additional benefit of a national rather than 30 mile calling scope. The few who are above the break-even point of the discontinued plans will have reasonable options.

Two of the customers using higher minutes per month have their calls directed to numbers for internet service. The Conrad, Eldora and Steamboat Rock customers have more than 3 internet service providers available to them on a local calling basis. In addition, the Conrad, Eldora and Steamboat Rock internet customers will have high speed DSL service available through Heart of Iowa. This offers a benefit to the internet customer.

Heart of Iowa personnel will consult personally with those customers using over 300 minutes per month under the Premium Calling Plan at least 30 days prior to the discontinuance of the plan and work with the individual customers to ascertain the most economical toll calling plans applicable to their calling patterns available from all the carriers available to Heart of Iowa through INS.

EAS services presently offered by Iowa Telecom for the Conrad, Eldora and Steamboat Rock exchanges will be maintained. Additionally, the customers in Conrad will add EAS to Union-Whitten and Liscomb and those in Steamboat Rock will add EAS to Union-Whitten and New Providence.


Heart of Iowa is providing cable service in the Albion, Liscomb, New Providence and Union-Whitten exchanges. We provide this through INS over our telephone plant. It is our intent for the future to add this service in Conrad, Eldora and Steamboat Rock. Heart of Iowa has looked forward to the potential of this transaction for many years. Heart of Iowa has the technical, financial and managerial ability to provide comparable utility service to the Conrad, Eldora and Steamboat Rock exchanges and is ready and willing and anxious to do so.

I hereby state that the foregoing is true and correct.



David L. Schmidt, General Manager
Heart of Iowa Communications Cooperative

Subscribed and sworn to before me this 14th day of November, 2003.


Notary Public

Iowa Telecom rates compared to Heart of Iowa Communications Cooperative

Exchange Name or Service Area	Type of Service or Service Plan	IT Local Exch Rate	IT EAS Rate	IT Monthly Rate	HICC Monthly Rate	Calling Plan			Service or Service Plan
						IT Optional Service Offering	Local Calling Plans*	Premium Community Plus Plan	
Monthly Rate									

Conrad	R1	\$12.62	\$3.84	\$16.46	\$15.00	\$25.00	\$1.00 + 9¢/min	Residential single line
641366	B1	\$25.22	\$7.69	\$32.91	\$30.00	\$50.00	\$1.00 + 9¢/min	Business single line
		\$35.88	\$11.54	\$47.42	\$30.00	\$50.00	\$1.00 + 9¢/min	Business multi-line
		\$18.10	\$11.54	\$29.64	N/A	\$50.00	\$1.00 + 9¢/min	Centrex Access line

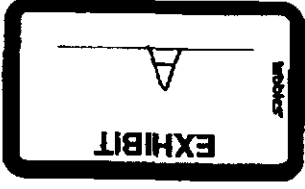
Eldora	R1	\$12.62	\$1.82	\$14.44	\$12.50	\$25.00	\$1.00 + 9¢/min	Residential single line
641858	B1	\$25.22	\$3.65	\$28.87	\$25.00	\$50.00	\$1.00 + 9¢/min	Business single line
		\$35.88	\$5.48	\$41.36	\$25.00	\$50.00	\$1.00 + 9¢/min	Business multi-line
		\$18.10	\$5.48	\$23.58	N/A	\$50.00	\$1.00 + 9¢/min	Centrex Access line

Steamboat Rock	R1	\$12.62	\$2.52	\$15.14	\$12.50	\$25.00	\$1.00 + 9¢/min	Residential single line
641868	B1	\$25.22	\$5.06	\$30.28	\$25.00	\$50.00	\$1.00 + 9¢/min	Business single line
		\$35.88	\$7.68	\$43.56	\$25.00	\$50.00	\$1.00 + 9¢/min	Business multi-line
		\$18.10	\$7.68	\$25.78	N/A	\$50.00	\$1.00 + 9¢/min	Centrex Access line

Heart of Iowa's Subscriber Line Charge and 911 charges will be the same as Iowa Telecom are today. Residential and single line Business will be \$6.50 and multi line Business \$9.20, E911 \$1.00

* Iowa Telecom Local Calling Plans are optional intrastate, intraLATA one-way services to other exchanges within a thirty(30) mile radius. The Premium Calling Plan has a usage limit of 12,500 minutes per month.

Heart of Iowa has several calling plans, one is the same as IT's Community plus Plan at \$1.00 plus .09/min. Heart of Iowa also bundle calling minutes (60 or 120) with custom call features for residential only. Heart of Iowa does not have a "Premium Calling Plan"



AFFIDAVIT OF STEVEN P. HARMS

STATE OF IOWA)
) SS:
COUNTY OF POLK)

I, Steven P. Harms, state on oath that I am a partner in the firm of Kiesling Associates LLP. Kiesling Associates LLP is a regional certified public accounting firm, whose Iowa practice relates primarily to independent telephone companies and their holdings. Our clientele includes over 120 Iowa telephone companies. I began working for this telecommunications related firm in 1990, as a staff accountant; became a Certified Public Accountant in 1989 and was admitted to the partnership in 2000.

Kiesling Associates LLP has audited the financial statements of the Heart of Iowa Communications Cooperative each year for over 30 years. I personally have been assigned as the engagement partner for the last two years. I am well acquainted with the financial aspects of Heart of Iowa.

Heart of Iowa is in excellent financial condition. The audited financial statements for the year ended December 31, 2002, reflect the following ratios: debt to equity, 1.7 to 1; times interest earned, 2.2; and debt service coverage of 2.2. Heart of Iowa will finance this acquisition with roughly one fifth of equity and the balance through a loan from the Rural Telephone Finance Cooperative.

The Company's plans to acquire and operate the Conrad, Eldora, and Steamboat Rock exchanges are within its means. It has the ability to provide significant equity in the transaction and to arrange the financing needed for not only the acquisition, but also for its successful operation.

I hereby state that the foregoing is true and correct as I verily believe.

Further affiant sayeth not.



Steven P. Harms
Steven P. Harms
Kiesling Associates LLP

Subscribed and sworn to before me this 18th day of November,
2003.

Patricia M. Flattery
Notary Public

AFFIDAVIT OF D. MICHAEL ANDERSON

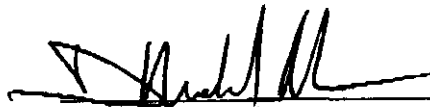
STATE OF IOWA)
) SS:
COUNTY OF POWESHIEK)

I, D. Michael Anderson, state on oath that I am Vice President-External Affairs of Iowa Telecom. In that position, I am responsible for managing the day-to-day contacts and work activities with state and federal regulatory agencies, legislative bodies, and industry groups.

As a price regulated company, we would need to make provision for changes in rates if there were material changes in the average cost as a result of the sale of these exchanges. There will be no such change in cost as a result of this transaction. The Conrad, Eldora, and Steamboat Rock exchanges are three of the smaller of our 294 exchanges in the State of Iowa. We do not have exchange cost information, and therefore, are unable to identify the change in the average cost of the company resulting from the sale of these exchanges. We do have investment and revenue information by exchange. The change in plant per access line would be a decrease of .84%. The change in revenue per access line would be a decrease of .09%. We would expect the change in average cost to be an increase due to the effect of the smaller number of lines sharing the joint and common costs of the company. Any changes would be so insignificant that they would not affect rates.


I hereby state that the foregoing is true and correct, as I verily believe.

Further affiant sayeth not.



D. Michael Anderson
Vice President-External Affairs
Iowa Telecom

Subscribed and sworn to before me this 13~~th~~ day of November, 2003.



Notary Public

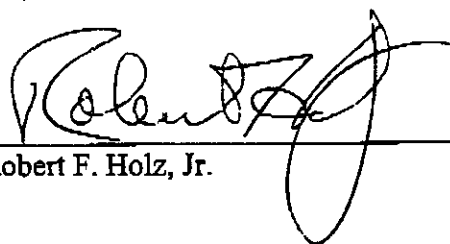


CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document on the following persons and parties as required by the rules of the Iowa Utilities Board:

John R. Perkins, Consumer Advocate
Office of Consumer Advocate
310 Maple Street
Des Moines, IA 50319-0063

Dated this 19th day of November, 2003.



Robert F. Holz, Jr.

#1003418

ORIGINAL

READ INSTRUCTIONS CAREFULLY
BEFORE PROCEEDINGFEDERAL COMMUNICATIONS COMMISSION
REMITTANCE ADVICEApproved by OMB
3060-0589
Page 1 of 2

(1) LOCKBOX # 358140		FCC/MELLON NOV 26 2003		12-01-03 8140806 001	
SECTION A - PAYER INFORMATION					
(2) PAYER NAME (if paying by credit card enter name exactly as it appears on the card) Heart of Iowa Communications Cooperative			(3) TOTAL AMOUNT PAID (U.S. Dollars and cents) \$6,570.00		
(4) STREET ADDRESS LINE NO. 1 502 Main Street					
(5) STREET ADDRESS LINE NO. 2 PO Box 130					
(6) CITY Union			(7) STATE IA		(8) ZIP CODE 50258-0130
(9) DAYTIME TELEPHONE NUMBER (include area code) (641) 486-2211			(10) COUNTRY CODE (if not in U.S.A.)		
FCC REGISTRATION NUMBER (FRN) REQUIRED					
(11) PAYER (FRN) 0002587954			(12) FCC USE ONLY		
IF MORE THAN ONE APPLICANT, USE CONTINUATION SHEETS (FORM 159-C) COMPLETE SECTION BELOW FOR EACH SERVICE, IF MORE BOXES ARE NEEDED, USE CONTINUATION SHEET					
(13) APPLICANT NAME					
(14) STREET ADDRESS LINE NO. 1					
(15) STREET ADDRESS LINE NO. 2					
(16) CITY			(17) STATE		(18) ZIP CODE
(19) DAYTIME TELEPHONE NUMBER (include area code)			(20) COUNTRY CODE (if not in U.S.A.)		
FCC REGISTRATION NUMBER (FRN) REQUIRED					
(21) APPLICANT (FRN)			(22) FCC USE ONLY		
COMPLETE SECTION C FOR EACH SERVICE, IF MORE BOXES ARE NEEDED, USE CONTINUATION SHEET					
(23A) CALL SIGN/OTHER ID		(24A) PAYMENT TYPE CODE BEA		(25A) QUANTITY 1	
(24A) FEE DUE FOR (PTC) \$6,570.00		(27A) TOTAL FEE \$6,570.00		FCC USE ONLY	
(28A) FCC CODE 1		(29A) FCC CODE 2			
(23B) CALL SIGN/OTHER ID		(24B) PAYMENT TYPE CODE		(25B) QUANTITY	
(26B) FEE DUE FOR (PTC)		(27B) TOTAL FEE		FCC USE ONLY	
(28B) FCC CODE 1		(29B) FCC CODE 2			
SECTION D - CERTIFICATION					
CERTIFICATION STATEMENT I, <u>David L. Schmidt</u> , certify under penalty of perjury that the foregoing and supporting information is true and correct to the best of my knowledge, information and belief. SIGNATURE <u>David L. Schmidt</u> DATE <u>11/26/2003</u>					
SECTION E - CREDIT CARD PAYMENT INFORMATION					

FEDERAL COMMUNICATIONS COMMISSION REMITTANCE ADVICE (CONTINUATION SHEET) Page No 2 of 2		SPECIAL USE
		FCC USE ONLY
USE THIS SECTION ONLY FOR EACH ADDITIONAL APPLICANT SECTION BB - ADDITIONAL APPLICANT INFORMATION		
(13) APPLICANT NAME Iowa Telecommunications Services, Inc.		
(14) STREET ADDRESS LINE NO 1 115 South Second Avenue, West		
(15) STREET ADDRESS LINE NO 2		
(16) CITY Newton	(17) STATE IA	(18) ZIP CODE 50208
(19) DAYTIME TELEPHONE NUMBER (include area code) (641) 787-2677		(20) COUNTRY CODE (if not in U.S.A.)
FCC REGISTRATION NUMBER (FRN) REQUIRED		
(21) APPLICANT (FRN) 0003-9113-85		(22) FCC USE ONLY
COMPLETE SECTION C FOR EACH SERVICE, IF MORE BOXES ARE NEEDED, USE CONTINUATION SHEET		
(23A) CALL SIGN/OTHER ID	(24A) PAYMENT TYPE CODE	(25A) QUANTITY
(26A) FEE DUE FOR (PTC)	(27A) TOTAL FEE	FCC USE ONLY
(28A) FCC CODE 1		(29A) FCC CODE 2
(23B) CALL SIGN/OTHER ID	(24B) PAYMENT TYPE CODE	(25B) QUANTITY
(26B) FEE DUE FOR (PTC)	(27B) TOTAL FEE	FCC USE ONLY
(28B) FCC CODE 1		(29B) FCC CODE 2
(23C) CALL SIGN/OTHER ID	(24C) PAYMENT TYPE CODE	(25C) QUANTITY
(26C) FEE DUE FOR (PTC)	(27C) TOTAL FEE	FCC USE ONLY
(28C) FCC CODE 1		(29C) FCC CODE 2
(23D) CALL SIGN/OTHER ID	(24D) PAYMENT TYPE CODE	(25D) QUANTITY
(26D) FEE DUE FOR (PTC)	(27D) TOTAL FEE	FCC USE ONLY
(28D) FCC CODE 1		(29D) FCC CODE 2
(23E) CALL SIGN/OTHER ID	(24E) PAYMENT TYPE CODE	(25E) QUANTITY
(26E) FEE DUE FOR (PTC)	(27E) TOTAL FEE	FCC USE ONLY
(28E) FCC CODE 1		(29E) FCC CODE 2
(23F) CALL SIGN/OTHER ID	(24F) PAYMENT TYPE CODE	(25F) QUANTITY
(26F) FEE DUE FOR (PTC)	(27F) TOTAL FEE	FCC USE ONLY
(28F) FCC CODE 1		(29F) FCC CODE 2